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MEANS OF PROMOTING ECONOMICALLY AND SOCIALLY DESIRABLE  
TYPES OF FARM OWNERSHIP AND OPERATION IN THE UNITED STATES

EXPLANATION

The following is the major portion of "A Report of Potomac Grange Research Committee No. 3" issued October 1945. It has been reproduced because the subject with which it deals is of special interest to Farm Security employees and FSA committeemen. Certain portions of the report not bearing so directly upon matters of concern to FSA are omitted for the sake of brevity.

This report along with ten others prepared by committees working under the sponsorship of Potomac Grange No. 1 was made available to committees of the 79th Annual Meeting of the National Grange held recently in Kansas City. The purposes is indicated by the following statement by Chester H. Gray, General Chairman, 1945 Research Activities of Potomac Grange No. 1:

"These studies, during the three years of their preparation, have been designed as aids to officials in National Grange and the State Granges in the formation and promulgation of farm policies and procedures. We in Potomac Grange endeavor to give background material, historical information and analytic presentations which will provide those whose duty it is to make Grange policies with facts, objectives and trends relating to present and future farm problems."

The Committee charged with the preparation of this report consisted of: W. N. Sparhawk, Forest Service, USDA; Paul V. Maris, Farm Security Administration, USDA; H. H. Wooten, Bureau of Agricultural Economics, USDA; Barrow Lyons, Bureau of Reclamation, USDI; Archie Stone, Farm Equipment and Tractor Section, CPA; J. L. Perrin, Office of Education and George H. Collingwood, National Lumber Manufacturers Association.

Using factual data provided by BAE, Mr. Maris drafted the portion of the report herewith reproduced except the list of references at the conclusion and the statement appearing under the title "How Present Types of Farm Ownership and Operation Came Into Being", which were prepared by Mr. Wooten. The report should be regarded as a statement made available to and considered by policy makers in the National Grange but not a statement of Grange policy.

I. INTRODUCTION

The most gigantic and destructive of all wars has now come to an end and we are entering upon a period of change destined to have significant repercussions upon the agriculture of this and other countries. How many farms do we need in the United States and what kind of farms should they be? Is the traditional family farm outmoded? Is it to be superseded by the big-scale industrialized or corporation farms? Can farms be provided for farm boys and girls who want to remain on farms — for World War II veterans who want to become established on farms and for war-industry workers who want to return to farms?

These are questions of the hour. Much is being written about them. Postwar planners in the Federal Government and in the respective States, in counties and communities are making proposals about them. In a very real sense the Grange members of the nation are involved. Most of us are farmers and farmers' wives, living in farm homes and deriving our incomes from family farms.



Our place in the social, political, and economic life of the nation, and the place of our sons and daughters who follow in our footsteps, will be largely determined by the type of farm ownership and operation developed in the period of readjustment that lies before us. Our voices should be raised. Our views should be expressed and well considered.

We believe the family farm, large enough efficiently to utilize the facilities of a machine age and support a standard of living common to other occupational groups of the nation, should remain dominant in this country's future pattern of farm ownership and operation. Our reasons are not sentimental. They are based upon the result of subjecting each of our several characteristic types of farm ownership and operation to critical evaluation, using standards which put national welfare above group interest and recognizing economic forces likely to determine the course of future events.

## II. Omitted

### III. HOW PRESENT TYPES OF FARM OWNERSHIP AND OPERATION CAME INTO BEING

1. Early American history. - The end of the American Revolution found the new Nation faced with the problem of settling the large western land areas and of raising money to run the Government. Individual owner-operated farms were the ideal of many of the leading men of that time although their first steps toward a land policy were mixed with temporary expedients; some of these early laws, such as, for example, the Ordinances of 1784, 1785, and 1787, were noteworthy. They established the rectangular land survey system and set up a land-disposal system. Later land acts, particularly those of 1796 and 1800, extended credit to individual settlers and reduced the size of the tracts available.
2. Homestead Act of 1862. - Following half a century of wholesale settlement, many changes in land legislation and pressure from the land-hungry, the Homestead Act was passed in 1862. This Act made actual settlement a condition for obtaining title to land in the hope that family-sized farms would find their way into the hands of the farmers who operated them. Any able-bodied citizen of good character who would live on the property and develop it could obtain 160 acres free. But as time went on, large areas of land passed through the hands of speculators, so defeating the purpose of this and supplementary legislation. By 1890 virtually all land suitable for farming without irrigation had passed into private hands, much of it into those of absentee owners. The Nation was settled and the land was producing. But individual ownership had not been safeguarded as it should and, although some 300 million acres were taken up under the Homestead and related Acts, and over 200 million acres sold to individuals, additional millions were owned by railroads, other corporations, and large absentee landholders.
3. Reclamation Act of 1902. Pressure for the opening of dry lands in the West led to the passage of the Reclamation Act in 1902. Using receipts from the sale of public lands in the 16 States and Territories of the dry regions to pay the costs, the Act provided for public construction of irrigation works to reclaim public lands, and for entry thereon in accordance with modified provisions of the Homestead law. Under these provisions, a settler's entry was limited to an acreage "reasonably required for the support of a family upon the land in question" —to not less than 40 nor more than 160 acres; he was to repay without interest the cost of constructing necessary works; and he could not sell his entry. The Act also provided that no right to the use of water on land in private



ownership could be sold, for a tract exceeding 160 acres, to any one landowner, and the landowner had to reside on the land. Under the Act, more than 4 million acres have been irrigated, supporting approximately 1 million people.

4. Federal Farm Loan Act of 1916 — High interest rates and charges for short-term financing were serious problems of both the established and beginning farmers of the Nation early in this century. To make sure that farms would remain in the hands of individual owners, a Federal Farm Loan Act was passed in 1916 to create a Federal banking system to operate on terms suited to farmers' needs and to reduce the cost of handling farm loans and interest rates. Under the Act, loans were extended by the Federal land banks of the system to farmers for the purchase of land for agricultural use, for building, equipment, livestock, etc., necessary for proper operation of the mortgaged farms, or to liquidate indebtedness of owners of land mortgaged for agricultural purposes. Interest rates generally have been around 4 to 5 percent. At present land bank loans and Commissioner loans together, or a Commissioner loan under certain conditions, may be made up to 75 percent of the agricultural earning value of the property. Land bank loans alone under the 1945 revision of the Farm Credit Act may be made up to 65 percent of the appraised normal value of the farm offered as security and must be secured by a first mortgage. Loans under the 1916 and later revisions and related acts have given almost a million and a half farmers opportunity to fund an indebtedness of about  $4\frac{1}{2}$  billion dollars over a series of years, to avoid varying interest rates, frequent renewals, commissions and expenses on new loans, and have done much to safeguard the stable, family-sized, owner-operated farm. Loans outstanding are now about  $1\frac{1}{2}$  billion dollars. Losses on loans over the entire period have been approximately 3 percent.

5. Bankhead-Jones Farm Tenant Act. — Again seeking to put family-sized farms into the hands of rural owner-operators, the Congress enacted the Bankhead-Jones Farm Tenant Act in 1937. Under the tenant purchase provisions of the Act, 40-year loans bearing 3 percent interest are made to approved farm tenants, farm laborers, and sharecroppers for purchase of family-type farms. To date, 37,000 families have reached farm ownership through this program, and many have already paid their loans in full. The Act also provided short-term renewable rehabilitation loans at 5 percent interest to assist farmers unable to obtain reasonable credit from any other source, thereby retaining as farm operators farmers who might otherwise have passed to status as sharecroppers or laborers. Approximately 1 million farm families have been assisted, and their records for repayment have been creditable.

#### IV. Omitted

#### V. STANDARDS BY WHICH WE MAY JUDGE WHETHER TYPES OF FARM OWNERSHIP AND OPERATION ARE DESIRABLE

From the broad point of view of national welfare those types of farm ownership and operation are most desirable which:

- (1) Provide the nation, at a minimum cost consistent with American standards of living, with an adequate supply of agricultural products for domestic use and export to other nations of the world.
- (2) Best conserve the land resources of the nation and pass it on in as good condition as it was when it came under our care and if possible in even better condition. Every type of farm ownership and operation should be judged critically from the standpoint of the extent to which it meets or fails to meet this standard.



- (3) Provide those engaged in farming with incomes adequate for fair living standards. Instinctively, we all have a sense of fair play. No doubt, we would all subscribe to the abstract proposition that farmers should be as well rewarded for their efforts as are other occupational groups requiring equal ability and effort. Therefore, we ought to test various land tenure systems by this standard. We can easily drift in a direction that will lead to greater poverty and more widespread degradation among farm people than we now have. As revealed by statistics quoted elsewhere in this report there is too much poverty and degradation at present within farming groups.
- (4) Contribute most to the strength of our democracy, by encouraging farm residents to be intelligent voters and active participants in public affairs. This too is an important point on which to judge the desirability or undesirability of any pattern of farm ownership and operation. Notwithstanding the fact that a progressively smaller percent of the total population is required to produce our farm products, still 25 million people or 18 percent of the total were living on farms in 1945.
- (5) Contribute most to the full and well rounded development of the individuals engaged in farming. It is the inherent right of farm people to enjoy social, political, and economic equality with every other occupational group and to be able, with self-respect and dignity, to mingle with the members of all other groups as friends, neighbors, schoolmates, college-mates, fellow church members, fellow lodge members, business associates, holders of public office, members of State legislatures, members of Congress, etc. A land tenure system which fails to meet this vital test is unacceptable regardless of other virtues it may possess.

## VI. PRESENT TYPES OF OWNERSHIP AND OPERATION - THEIR GOOD AND BAD FEATURES

Having established five standards by which to judge whether a tenure system is good or bad, let us now take up each of six more or less distinctive tenure types existing at present in the United States and consider their desirable and undesirable characteristics, with a view to deciding what our land tenure goals should be. These types are: 1. Family-Type Farms, 3,125,000; 2. Subsistence Farms, 1,100,000; 3. Part-Time Farms, 625,000; 4. Rural Residences, 575,000; 5. Large-Scale or Corporation Farms, 60,000; and 6. Plantations, 20,000. The lines of demarcation between these tenure types are not rigid or clearcut. The total number of farms is about  $5\frac{1}{2}$  million, exclusive of share-croppers. Many farms are on the borderline between large-scale and family-type or between family-type and part-time. The subsistence farm may become a part-time farm if its operator obtains outside employment to supplement regularly a meager farm income. The rural residence may become a part-time farm if the agricultural production is stepped up to the point of providing enough cash income to be of significance in the family budget. The farms of different size pattern may be owner operated, tenant operated or share cropped.

It is, of course, not probable that any one size pattern or any one ownership pattern will supersede or should supersede all other - in other words, that we should have all family-type farms or all big industrialized farms, all owner-operated farms or all tenant or sharecropper farms. It is doubtless more practical and desirable to aim toward a combination of tenure arrangements that will result in a well-balanced whole and meet the widely varying needs and



conditions found in this country. But, proper balance and a well-rounded whole are not likely to be the result of public indifference or aimless drifting. There should be a mark toward which to shoot. Furthermore, there is need for improvement in the various types of tenure themselves. These needs should be brought to light and steps should be taken to remedy tenure conditions that imperil the general welfare. To point-up the needs and outline the remedies is the primary purpose of this report.

- (1) The Family-Type Farm, - We will start with the family-type farm because outside of the plantation area of the South we have always had and still have more family farms than any other kind. In 1940, approximately 3,125,000 or 56 percent of all farms fell in this class. We need not be concerned about a hair-splitting definition of the family-type farm. The name itself implies that it is a farm suitable for a family to operate. The following statement quoted from a United States Department of Agriculture Land Grant College joint report issued at Milwaukee, Wisconsin in July 1943 described very well the family-type farm we are discussing: "By family farm we mean a farm on which the operator, devoting substantially full time to farming operations, with the help of other members of his family and without employing more than a moderate amount of outside labor, can make a satisfactory living and maintain the farm plant. Thus, family farms should and do vary greatly in acreage, depending upon the kind of farming, size and composition of the family, and other factors. (For example, any one of the following might be a family-type farm; a. 20 acres of rich land in truck crops; b. 40 acres of cotton land in the Mississippi Delta; c. 160 acre diversified farm in the Corn Belt; d. 1000 acre stock ranch in a western State.)"

"All such farms should be operated under economic and social conditions that will discourage the exploitation of family labor. A much larger portion of total farm work should be done by machinery than is now the case. Wherever possible, the use of tractors, electric motors, and other labor-saving devices should be encouraged so that farm families can have leisure time for the enjoyment of modern educational and recreational facilities.

"Mechanization has caused, and will probably continue to cause, a gradual expansion in the size of operating units, but generally they are still likely to remain family farms. The recent trend in technological development appears to have been in a direction that favors family farms as much as, if not more than, large industrialized farms. This appears to be particularly true in the field of farm machinery and equipment, where many small-sized units have been developed. Family farms should be encouraged to achieve the many advantages of large-scale farms through cooperative organization. Research in the biological, physical, and social sciences should be directed more specifically to the task of finding ways to aid the family farm."

The Milwaukee conference group added the following with which we agree: "We believe the scales of public policy should be tipped in favor of family farms that are efficiently operated and that yield a satisfactory level of living." In a report dated October 1944 a Committee on Post War Policy of the Association of Land Grant Colleges and Universities said: "The family type farm should



remain the basis on which American Agriculture typically is organized.

The family farm, particularly the owner-operated family farm, meets very well the five tests set up for judging the good and bad features of a tenure system. No one has as much incentive for maintaining property as the person who owns it. This applies to land, buildings, and everything about the farm. Generally speaking one may expect to find an owner-operated farm in better repair than a rented farm. Also, there are likely to be more livestock units on owner-operated farms than on rented farms and with the increase in livestock units more land is found in pasture and legumes with a smaller percent in cash crops which are more soil depleting.

A great strength of the owner-operated family farm is its contribution to good citizenship and social values. American citizens aspire to ownership of homes. With the achievement of such ownership comes increased self-respect, a higher sense of responsibility, an ambition to preserve that which is possessed, a stake in the country and a desire to promote its welfare and defend its interests. We cannot give up the owner-operated family farm in America without jeopardizing one of the substantial foundations underlying our civilization.

Now let us come to the question of efficiency. How does the family farm measure up on this point? It is the one point upon which the family farm is thought by some to be vulnerable. Bearing in mind that we are discussing farms big enough to utilize the labor supply of an average farm family making use of family owned machinery, the family farm is efficient. In fact, in times of stress, like present war times, the family farm on which labor needs and labor supply are in the best balance can weather the storm and keep up production more successfully than any other type of farm. For example, the family farms where the labor supply was elastic succeeded better during the war than did farms which had to depend on outside labor.

- (2) Subsistence Farms, - Since family-type farms include all those with capacity to utilize the labor of a typical farm family and provide an adequate income to support such a family, subsistence farms are those with somewhat less capacity to utilize labor and produce income. They are defined as follows by Messrs. Benedict, Elliott, Tolley and Taeuber in the November 1944 issue of the Journal of Farm Economics: "Low income, small holdings or family-living farms, usually located in poor-land areas, having value of products in terms of 1939 prices of less than \$600, whose operators are under 65 years of age, and who work off the farm fewer than 100 days." (In 1940 there were approximately 1,100,000 or 20 percent of total.)

One thing is clear. These so-called subsistence farms are distinctly family enterprises and there are many of them. We can well afford to be concerned about a type of ownership and operation which involves more than a million American farm families. Unfortunately, the name "subsistence farms" is misleading, but we



are using it in this report because it is a very common expression and needs to be better understood. Many wrongly assume that a subsistence farm furnishes an adequate living for a family. If it did so it would, as already pointed out, be a family-type farm. Undoubtedly, one of the tragedies of American agriculture is the futile struggle of many families to make a living where there simply are not enough land resources to provide a living. The one-mule farm in a poor-land area is an illustration. Strangely enough, planners often err on the side of recommending farm units that are too small. It is a mistake that has been repeated over and over again and it is doubtful if we have learned our lesson even yet. The average amount of cultivable land per farm in many States is substantially below the amount required to provide an adequate living and meet operating and financing costs.

Subsistence farms fail in several respects to meet our standards for judging desirable forms of ownership and operation. Poverty bears heavily upon the shoulders of their operators. Many can and do overcome this handicap but on the whole subsistence farms contribute very little to the Nation's food supply. They are often not well farmed and the odds are against attaining the degree of well-being and self reliance which contributes to the well-rounded development of individuals or active participation in public affairs.

- (3) Part-time Farms, - The agricultural economists previously mentioned define part-time farms as those "having a value of products at 1939 prices of less than \$600 and with work off the farm by the operator amounting to 100 days or more." There are approximately 625,000 such farms in the United States. Part-time farming has great popular appeal. Whether it is good or whether it is bad depends as much upon the other part as upon the farming part of the two-fold undertaking. Certainly the income from the farm plus the off-farm income should add up to enough to support the family adequately and the off-farm income should be stable and dependable. Otherwise a part-time farm may at any time turn into an inadequate subsistence farm. This has often happened. On the other hand there are many families in the United States whose bread winners can supplement their earnings by living on a farm and raising products for sale in addition to those for home consumption.

There are many advocates of decentralization of industry who believe that part-time farming is destined to grow and expand. We merely call attention to the fact that making a living on a farm generally requires all of the resources of a typical farm family.

If the combination of on-farm and off-farm activity is right, part-time farming may measure up well when judged by the five standards of measurement which we are using. There is the ever present possibility that the farm may be neglected because of preoccupation with off-farm employment. Fields may be permitted to grow foul with weeds and orchards may become diseased. Many part-time farmers are definitely in the very low income class.

- (4) Rural Residences. - Rural residences are merely the homes located in the country of persons employed in cities. They produce little



if any farm products for sale and may or may not produce for home consumption. The general well being of the occupants of rural residences depends primarily upon their urban employment except that they may share in the use of whatever public utilities the community affords. Both the economic and the social life of a rural community may be affected by the advent of rural residents. Land prices and taxes may rise. If the social interests of rural residents center in cities they may handicap the community life of their farmer neighbors. They may on the other hand contribute to it. Of course, there is no limit to the number of rural residences that may develop in this country. About 575,000 farms are used chiefly as rural residences. With improved transportation facilities they may be expected to increase. We shall not consider them as a type of farm ownership and operation.

It is probable that constantly increasing numbers of persons will locate on part-time farms and in rural residences whose financial circumstances are such that they will be able to live according to the standards to which they are accustomed without much contribution from the farm or the "acreage" which they occupy. Elderly couples with accumulated savings, war veterans with pensionable disabilities, persons with old age pensions or retirement allowances are examples. Such persons may find satisfaction in a home in the country and living costs lower than those prevailing in metropolitan areas.

- (5) Large-Scale Farms: We shall consider that this classification takes in everything above the family-type farm except plantations. About 60,000 farms are classed as large-scale farms and ranches. The distinguishing characteristics of large-scale farms are that they utilize considerably more labor than a typical farm family can supply and also represent much larger capital investments and much larger cash returns than the family-type farm. A chicken hatchery with thousands of dollars invested in incubators or a broiler establishment marketing thousands of broilers might be a large-scale farm even though very few acres of land were involved. A truck farm which markets vegetables by the car-load is large-scale. We naturally think of a stock ranch embracing thousands of acres of land and carrying hundreds of cattle or thousands of sheep as large-scale. The same is true of a wheat ranch embracing two or three sections of land or a midwestern diversified farm with a half dozen hired hands. The big city dairy with several milkers and milk distributors is large-scale. So are the typical sugar and pineapple plantations of Hawaii and Puerto Rico. The expression "industrialized" is sometimes used in describing these farms because they have some of the characteristics of a modern industry. The expression "mechanized" is also used because these big establishments use much power and heavy machinery. Family-type farms, however, may also use much machinery so that the term mechanized does not apply exclusively to the large-scale farm. The "bunk house" in which hired men sleep and the "cook shack" in which they eat are distinctive institutions of the large-scale farm. Seasonal or migratory laborers are largely a product of the large-scale farming operations.

The large-scale farm may be corporation-owned and supervised by a salaried manager or it may be privately owned and directed. It is



possible under such an arrangement to apply modern scientific practices to every phase of production and marketing. This is true when an individual controls extensive operations, whether he be owner or manager. Operations may, however, become too large for maximum efficiency, and large-scale farming may become exploitive; that is, for the sake of immediate profits, the land may be mined and permitted to deteriorate. Hired laborers on large-scale farms have less incentive for maintaining land and buildings than owners

After weighing all factors the large-scale farm measures up well from the efficiency standpoint. It is deficient, however, when subjected to the test of its contribution to human development and to citizenship in a democracy. It would be a very real tragedy if the "bunk house", the "cook shack" and the "migratory labor camp" were to replace the American farm home. Certainly we have not yet devised a system under which hired farm laborers attain the individual status in society of the free, independent, self-respecting owner operator. It is doubtless for this reason that the Congress has so consistently sought to protect and perpetuate the family-type farm. It is for this reason that the Grange has consistently throughout its history stood staunchly in support of the family-type farm and the farm home.

This does not reflect antagonism toward large farms as such. To the extent that such farms are efficient they should support standards of living justified by their efficiency. They should not depend upon exploitation of hired labor. We believe that the family-type farm will compete successfully with the large scale farm if the men, women and children who work on those farms are housed, clothed, fed, educated and otherwise enjoy the standards of living which American farmers are entitled to enjoy.

- (6) The Plantation, - The plantation is associated with southern cotton and sugar-cane farming in several areas of the Lower South. Some 20,000 farms could be classed as plantations. The number of tenants, share-croppers or laborers on a plantation may be a half dozen or fifty or a hundred. Plantations on which share-croppers performed most of the manual labor were the logical outgrowth of post-slavery days. Many of the things said about large-scale farms might be repeated about plantations. Typically, however, they have not attained a high level of operating efficiency and they are characterized by very low standards of living. Neither plantation owners, tenants, nor sharecroppers appear to prosper. Purchasing power is low - farm units are undersized. Community facilities are lacking. Much of the land in the plantation region is eroded and depleted in fertility. This pattern of tenure, therefore, does not meet the standards which we are applying to determine which system of tenure is good and which is bad.

## VII. SPECIFIC LAND TENURE OBJECTIVES

1. Conserve our land resources and utilize all factors of production efficiently in supplying the Nation's food and fibre requirements.
2. Effect a more rational distribution of the farm population on the land. Surplus families in over-populated and submarginal areas should be encouraged and assisted to move to land that can support more families, including newly



developed or undeveloped agricultural land; and to make desirable adjustments by consolidating and enlarging units which are uneconomic for occupation by farm families remaining where they are.

3. Make owner-operated family-type farms predominant in the American pattern of agriculture. Such farms should be capable of supporting standards of housing, health, education, and culture comparable with those of other major occupational groups.
4. Provide qualified persons in all agricultural groups, especially competent young farm people from vocational schools and agricultural colleges and agriculturally competent and qualified veterans, with opportunities for acquiring family-type farms.
5. Keep land prices and rentals stable and consistent with use value as contrasted with speculative value and discourage the capitalization of earnings into increased land prices rather than improved living standards for tillers of the soil.
6. Establish and equitable leasing system providing renters with opportunity for improvement and development of resources, security of tenure, and fair levels of living.
7. Provide farm laborers with security of employment and decent levels of living.
8. Insure that new land development is in the public interest and that public investments in such development are justified.
9. See that the public and the family-size farm buyer and operator share in the benefits of publicly financed land improvements instead of allowing land speculators to reap large unearned increments in land values because of public expenditures.
10. Retain in public ownership all public land classified as unsuited to arable farming and grazing.

#### VIII MEANS OF ATTAINING TYPES OF OWNERSHIP AND OPERATION DESIRED

##### 1. Educational Means

- a. Seek public recognition of the fact that a "minimum farm" (one on which the operator can make a decent living for himself and family) is just as important to a full time farmer as is a "minimum wage" to an industrial worker.
- b. Discourage excessive "back-to-the-farm movement." Seek public recognition of the principle that there is a limit to the number of full-time farms that can be created in the United States. No limit to rural residences.
- c. Emphasize the fact that farms must not be a dumping ground for unemployed during periods of depression.
- d. Encourage discussions in subordinate Granges of desirable types of farm ownership and operation, landlord-tenant relations, land-transfer, rental, and credit practices, and how to get them. National Grange to furnish outlines and bibliographies for such discussions.



- e. Emphasize importance of controlling land booms. See Bulletin P-72 Preventing Farm Land Price Inflation in the Midwest by Dr. Paul L. Vogt, and "Farm Land Value Rise Continues" by Mark M. Regan in April issue of "The Agricultural Situation".

## 2. Attaining Objectives Through Administrative Action

- a. Handle management, disposal and leasing of public lands in such a manner as to facilitate types of ownership and operation desired.
- b. Support "Specific Land Tenure Objectives" (items 1 to 10 under VII) by appropriate administrative action.

## 3. Legislative Means

### a. Under State Jurisdiction

- (1) Simplify and reduce the cost of land-title transfers.
- (2) Regulate corporation ownership and control of farms.
- (3) See that small farms are not overtaxed and extend homestead exemptions to afford grants for protection of family-type farms.
- (4) Revise foreclosure and deficiency-judgment procedures so that they do not operate against maintenance of family farms.
- (5) Provide safeguards to sale of tax-reverted land, to prevent further tax delinquency or failure of farmers attempting to farm such land.

### b. Under Federal or Joint Federal State Jurisdiction.

- (1) Provide for earning capacity appraisal of farms by certified public appraisers so that purchasers will not unwittingly pay more for farms than they are worth for farming purposes.
- (2) Establish ceiling on resale of farms for profit during reconversion period as means of controlling inflation and encouraging ownership by operators.
- (3) Continue and expand guidance to veterans and others who wish to farm.

## 4. Use of credit to facilitate land tenure objectives.

### a. Credit designed to facilitate the acquisition and development of family farms by owners should incorporate the following principles:

- (1) Interest rates on loans secured by sound farm mortgages should be as low as interest rates on other well secured capital loans. A sound farm mortgage is one securing a loan on an economic farm purchased at a price consistent with its long time earning-capacity value.
- (2) When well secured, farm-acquisition and farm-development loans may properly extend over more than one generation, that is for periods of 30 or 40 years. Although laws authorizing Land Bank loans, Land Bank Commissioner loans and Bankhead-Jones Farm Tenant loans allow from 30 to 40 years for repayment, too many private lending institutions still require repayment of loans secured by farm mortgages in too short a time, thus imposing unnecessary hardships upon borrowers and unnecessarily jeopardizing their security.
- (3) Although the permissive period of farm mortgage real estate loans, should be 30 to 40 years, borrowers should be permitted to pay off their debts when they desire.
- (4) Since the farmers' ability to pay real-estate debts is high in good years and low in bad years, principal and interest payments should be



permitted to fluctuate accordingly. Variable-payment provision should be included in all government-sponsored loans, and should become the rule rather than the exception in the field of farm-mortgage credit in general.

- (5) Down payments in excess of amounts required to evidence good faith on the part of the borrower are not essential to sound farm purchase financing. Factors mentioned in sub-paragraphs (1), (2), (3), and (4) above and adequate equipment and finances for farm operating purposes have a greater bearing upon the soundness of farm real estate loans than the amount of down payments.
- b. All Federal lending activities should be properly coordinated and administered with a view to demonstrating desirable credit patterns and to preventing the exploitation of borrowers by private lenders. Federal lending agencies should not seek to monopolize the farm credit field in competition with private lending institutions.
- c. As now constituted and administered, the Farm Credit Administration performs functions in the field of adequately secured loans which require only such servicing as is ordinarily furnished by private lenders, whereas the Farm Security Administration functions in the field of supervised credit. Its loans are confined to borrowers unable to obtain adequate credit from regular credit sources and who require farm and home-management supervision during the period of rehabilitation. In any change of administration designed to achieve better coordination both these types of credit should be preserved.
- d. Amend the Bankhead-Jones Farm Tenant Act by authorizing:
  - (1) Farm-development loans to facilitate irrigating, draining, and clearing land and constructing, repairing, and improving buildings on farms that can be made economic units by such processes.
  - (2) Farm-enlargement loans to facilitate the consolidation of small uneconomic units or the purchase of land adjacent to inadequate farms.
  - (3) Farm timber-development loans with terms of repayment adjusted to the slow growth and infrequent marketing of timber.

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